

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

UNITED STATES OF AMERICA,

Plaintiff,

v.

ALTON REAL ESTATE, INC.; EAST PEORIA
REAL ESTATE, INC.; JOLIET REAL ESTATE
HOLDING CO.; MOLINE REAL ESTATE, INC.;
PEORIA REAL ESTATE, INC.; SCHUETZ ROAD
REAL ESTATE, INC.; WOOD RIVER REAL
ESTATE HOLDING CO.; EDWARDSVILLE
REAL ESTATE, LLC; ELGIN REAL ESTATE,
LLC; INVERNESS REAL ESTATE, LLC;
NORTHBROOK REAL ESTATE, LLC;
ROCKFORD REAL ESTATE, LLC;
ST. CHARLES REAL ESTATE, LLC; CR
FINANCE II, LLC; BRAVO CARE OF ALTON,
INC.; BRAVO CARE OF EAST PEORIA, INC.;
BRAVO CARE OF EDWARDSVILLE, INC.;
BRAVO CARE OF ELGIN, INC.; BRAVO CARE
OF INVERNESS, INC.; BRAVO CARE OF
JOLIET, INC.; BRAVO CARE OF MOLINE,
INC.; BRAVO CARE OF NORTHBROOK, INC.;
BRAVO CARE OF PEORIA, INC.; BRAVO
CARE OF ROCKFORD, INC.; BRAVO CARE OF
ST. CHARLES, INC.; BRAVO CARE OF
ST. LOUIS, INC.; BRAVO CARE OF WOOD
RIVER, INC.; MIDWEST ADMINISTRATIVE
SERVICES, INC.,

Defendants.

Civil Action No.

DECLARATION OF ROGER M. LUKOFF

I, Roger M. Lukoff, pursuant to Section 1746 of Title 28 of the U.S. Code, declare under penalty of perjury that the following statements are true and correct to the best of my knowledge, information and belief.

1. I am over the age of 18 and make this Declaration in support of the United States' Emergency Motion for Appointment of Receiver and Memorandum in Support related to the Rosewood Facilities, which are comprised of thirteen healthcare facilities insured by the Federal Housing Administration ("FHA") that consist of twelve skilled nursing facilities and one assisted living facility located throughout Illinois and in St. Louis, Missouri.

2. I am the Deputy Assistant Secretary for the Office of Healthcare Programs ("OHP") for the United States Department of Housing and Urban Development ("HUD"). I have been employed by HUD in this capacity since May 2016, and previously worked with OHP as the Associate Deputy Assistant Secretary since in 2010.

3. I base this Declaration on documents I have reviewed, prior correspondence and discussions, information my staff have provided to me, and my personal knowledge as the Deputy Assistant Secretary for OHP with HUD's Office of Housing.

4. My primary responsibility as the Deputy Assistant Secretary for OHP with HUD's Office of Housing is to lead and administer OHP as a senior-level official, and to supervise HUD's healthcare insurance operations.

5. The Rosewood Facilities are owned by: Alton Real Estate Inc., East Peoria Real Estate Inc., Edwardsville Real Estate LLC, Elgin Real Estate LLC, Inverness Real Estate LLC, Joliet Real Estate Holding Co., Moline Real Estate, Inc., Northbrook Real Estate LLC, Peoria Real Estate Inc., Rockford Real Estate LLC, St. Charles Real Estate LLC, Schuetz Road Real Estate Inc., and Wood River Real Estate Holding Company (collectively, the "Owners").

6. The Rosewood Facilities are operated by: Bravo Care of Alton, Inc.; Bravo Care of East Peoria, Inc.; Bravo Care of Edwardsville, Inc.; Bravo Care of Elgin, Inc.; Bravo Care of Inverness, Inc.; Bravo Care of Joliet, Inc.; Bravo Care of Moline, Inc.; Bravo Care of Northbrook, Inc.; Bravo Care of Peoria, Inc.; Bravo Care of Rockford, Inc.; Bravo Care of St. Charles, Inc.; Bravo Care of St. Louis, Inc.; and Bravo Care of Wood River, Inc. (collectively, the "Operators").

7. CR Finance II, LLC is the "Master Tenant" for the Rosewood Facilities, and is an entity formed to direct lease payments from the Operators to the Owners, and the Owners are then expected to make mortgage payments to the lender with such funds.

8. From 2003 through 2012, Berkadia Commercial Mortgage LLC ("Berkadia"), Highland Mortgage Company, GMAC Commercial Mortgage Bank, and Capmark Finance Inc. (collectively the "Original Lenders") made thirteen loans (the "Loans") to the Owners, whereby the Owners promised to pay the Original Lenders total principal balances ranging from approximately \$9,000,000 to \$14,000,000 for each loan, totaling \$168,966,400 for all thirteen Rosewood Facilities.

9. Each Owner entered into a Regulatory Agreement for Multifamily Housing Projects and LEAN Rider ("Owner Regulatory Agreement") with HUD, in which each Owner agreed to, amongst other things, make timely mortgage payments to the FHA-insured lender(s) and timely submit annual financial statements to HUD.

10. Additionally, each Operator entered into a Healthcare Regulatory Agreement – Operator ("Operator Regulatory Agreement") with HUD, and the Master Tenant entered into a Healthcare Regulatory Agreement – Master Tenant ("Master Tenant Regulatory Agreement") with HUD for each facility.

11. The Original Lenders subsequently assigned the mortgages, deed of trust, notes, and other related loan agreements to Greystone Servicing Corporation, Inc. ("Greystone") beginning in June through August of 2015; as a result of these assignments, Greystone became the mortgagee.

12. Based upon information provided by my staff related to notices of mortgage default sent by Berkadia to the Owners, mortgage balance statements provided by Greystone, and other relevant documents, beginning in January 2015, the Owners ceased making regular principal payments and made only sporadic and insufficient interest payments, and from March 2016 to the present, they have made no principal payments whatsoever.

13. As of August 14, 2018, the outstanding principal balance on the mortgages for the thirteen Rosewood Facilities was \$146,655,782.44.

14. On or about August 8, 2018 and August 9, 2018, Greystone assigned its interest in the notes, mortgages, and deed of trust for the Rosewood Facilities to HUD; as a result of these assignments, HUD is now the mortgagee. Greystone will also assign all ancillary loan documents to HUD within 45 days of the above-noted dates of assignment by Greystone.

15. On or about August 8, 2018 and August 9, 2018, Greystone also submitted 13 claims for insurance benefits, for which HUD has paid \$151,430,415.82 to date, and expects to pay further amounts pending completion of financial and legal requirements.

16. On August 31, 2015, HUD issued Notices of Violation ("NOVs") to the Owners and Operators for their violations of the Owner and Operator Regulatory Agreements. On July 15, 2018, HUD issued NOVs to the Master Tenant for its violations of the Master Tenant Regulatory Agreements.

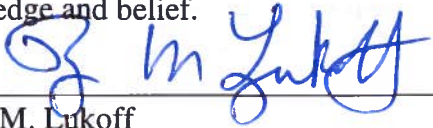
17. On August 15, 2018, HUD issued Notices of Default to each Owner, Operator, and the Master Tenant for their failure to cure violations of their respective regulatory agreements or mortgages and deed of trust.

18. Additionally, from the Owners' fiscal year ends of 2015 through their fiscal year end of 2017, they failed to provide HUD with a complete annual financial report for each fiscal year as required by paragraph 9(e) of the Owner Regulatory Agreement.

19. The individuals who currently directly or indirectly own, operate, manage, and/or act on behalf of the Rosewood Facilities consist of: Zvi Feiner, Hinde Feiner, Dmitry Godin, Ilya Shulman, Rene Yampol, Hillel Yampol, and Mark Yampol.

20. Based upon the facts identified above and information provided to me by my staff since 2016, the individuals who own, operate, and/or manage the Rosewood Facilities are not capable of continued ownership, operation, and/or management of the Rosewood Facilities going forward without negatively affecting the financial and operational stability of the Rosewood Facilities. Moreover, HUD, as mortgagee, is negatively impacted by the continued failure of the Owners to make complete mortgage payments for the past three years. The impact of that failure is compounded by the fact that each Owner has failed to submit audited financial statements in violation of each Owner Regulatory Agreement. Without the audited financial statements, HUD has no information as to how the Owners/Operators have used project funds for the past three years. The Owners/Operators' actions pose a risk to HUD, the residents of the Rosewood Facilities, and the public fisc.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.



Roger M. Lukoff
August 15, 2018